Emerging Trends in Banking Financial Services of Banking Sector in India with Respect to State Bank of India

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Abstract

Emerging customer behaviors, changing demographics, and increasing technology options are driving banks in India toward new challenges and opportunities. Banks today are serving a more complex customer base: more diverse geographically, more varied demographically, and dotted with entirely new buyer segments. The present study is an attempt to present the status of Emerging Trends in Financial Services of Banking Sector in India with respect to State Bank of India and its implications for Indian banking industry. For the purpose of this study, the technological new products like credit cards, debit cards, ATM services, etc. is necessary to compare and test whether the customers aware of the product and services offered by the banks. The study also brings out whether they are satisfied, how far they are satisfied and to what extent or level of satisfaction. Emerging Trends in banking financial Services has helped the banks to cope with new economic and financial policies of the banks. Technology in banking is on rise and it becomes a powerful tool for improving customer satisfaction and increasing cross-selling opportunities. At the same time technology in banking has its pitfalls too. There are a number of challenges which banks must keep in mind. Keeping track of ever changing banking industry and the latest update in technology, banks need to equip themselves for the competition. Money laundering is a growing menace and it not only poses serious threat to the stability and integrity of the financial system but also to the sovereignty and safety of nations worldwide.

Keywords: Banking, Channel, Customer Satisfaction, Technology, State Bank of India

1. Introduction

Emerging customer behaviors, changing demographics, and increasing technology options are driving banks in India toward new challenges and opportunities. Banks today are serving a more complex customer base: more diverse geographically, more varied demographically, and dotted with entirely new buyer segments. These "complex imperatives" have brought with it an increasing debate about customer acquisition and retention. One of the major challenges faced by banks is the ever rising customer expectation. Customer expectations are rising while their sense of loyalty is falling. The rapid advance of communication technology and electronic commerce has eroded customer loyalty by creating more convenient access to product information, purchase options and services.

The emerging trends in banking financial services have had a positive impact on the payment and settlement systems of the country. With some path-breaking initiatives having been implemented in this area, the "electronification" of payment system has become the hall mark of the decade that has gone by. Electronics based payments are superior to paper system in terms of traceability, efficiency, speed and safety. The introduction of the Real Time Gross Settlement (RTGS) system has resulted in not only compliance with international standards but also paved the way for risk-free fund transfers settled on a real time basis. The facility for inter-bank funds settlement through RTGS is today available across more than 88,000 branches of banks spanning more than 5,000 centers of the country, a coverage that has been perhaps not witnessed anywhere else in the world. As already noted, emerging trends in banking financial services is the

existence of a safe, reliable and effective communication network and messaging system. Despite the progress in electronic payment system, the paper based instruments are still in vogue, although the total value of the paper based clearing has been steadily declining, 59 per cent in volume of transactions and 10 per cent in value terms. This shows the progress which we have to make still.

The study presents a broad overview of the current state of the banking industry in India. It then goes on to identify some important forces for change and some important forces resisting change. Attention is paid finally to growth path of banking sector with technological advancement. It is depicted that banking is going to be intensely competitive and complex.

The best idea would be for the domestic banks to enhance mutual co-operation in order to create a healthier market order and raise the overall competitiveness of the industry as a whole. Incorporation of advanced technology and utilization of modern management techniques are other crucial aspects at which domestic banks should pay keen interest.

2. Statement of the Problem

Due to lack of research on the perceptional and attitudinal level and lack of popularity in Chittoor district, it was felt necessary and important to conduct a study to know the perceptions and satisfaction level of users on various services offered. For the purpose of this study, the technological new products like credit cards, debit cards, ATM services, etc. is necessary to compare and test whether the customers aware of the product and services offered by the banks. The study also brings out whether they are satisfied, how far they are satisfied and to what extent or level of satisfaction. The researcher has proposed to assess the problems of customers and their level of satisfaction and dissatisfaction, if any while availing the services of various issuing banks.

3. Research aims and Objectives

The present study purports to review the latest trends in the modern banking financial services particularly in the SBI (Public Sector), which came into existence since the financial sector reforms, and the financial services provided by them to the customers. It has the following specific objectives:

1. To understand the importance of banking financial services in India.
2. To study the various financial innovative services provided by banks today.
3. To examine the impact of various financial innovative services provided by banks towards customer satisfaction by analyzing the problems faced by the customers.
4. To analyze the present financial banking services in State Bank of India.
5. To examine the problems confronting in the banks and to suggest possible ways and means to tone up their financial services in the global business scenario.
6. To understand the need of modern banking services in the competitive scenario.

4. Research Design and Methodology

As the first research objective involves a decision on which research paradigm will be adopted, the following section will elaborate on the research methodology, and introduce the data collection and data analysis methods to be adopted. This chapter will discuss a brief introduction of the research methodology.

The Sample

Based on the pilot study, 100 per cent of the customers were identified belonging to State Bank of India. I decided to classify the samples selected for the main study into four areas namely Chittoor, Madanapalli, Tirupati, Nagari. The questionnaire was distributed to 800 respondents, the area covered in and around Chittoor district. Due care was taken to see

that the sample included in the account holders belonging to various sections of the society with varied educational qualification, income, sex and age.

Statistical Tools Used

According to the chosen methodological research approach, the quantitative data was analyzed by using the software "Statistical Package for Social Sciences" (SPSS) and meaningful conclusion were arrived by constructing simple and two-way tables and by using statistical techniques like chi-square test. Simple table were constructed for analyzing the general information of the sample. Two-Way table were constructed for the comparative analysis and to know the relationship between two factors. At last the associations between different variables were tested by using the chi-square test.

5. Limitations of the Research

In spite of an in-depth empirical investigation that seeks to establish a method to predict an emerging trends in financial services of Indian banking sector in Chittoor District, Andhra Pradesh. There are several limitations associated with this study. First, the study is restricted to a specific geographic area as opposed to the entire Chittoor District, Andhra Pradesh.

Cost and time constraints did not allow for a more extensive data collection. A larger and more representative sample may give broader representation to the measurement.

A second limitation the study assumed that the respondents were all State Bank of India customers, whose perceptions and expectations relating to banking services are limited, findings may vary if the study is changed in terms of area and bank.

Third, while a significant effort was made to statistically evaluate each of the items of gender, income, and education, there was a definite lack of importance indicated in the study's outcomes. Further research might prove valuable in confirming the full impact of gender, income, and education on banking financial services expectations.

Finally, while the sample provided a substantial number of customers in that bank that facilitated a study of this nature, one cannot generalize the results in other banks not included within the study. Additional research could reveal substantial valuable information in these areas.

6. Review of Literature

To-day, we cannot think about the success of a banking system without information technology and communication. It has enlarged the role of banking sector in the economy. The financial transactions and payment can now be processed quickly and easily. The banks with the latest technology and techniques are more successful in the competitive financial market. They have been able to generate more and more business resulting in their greater profitability.

Rai Alok Kumar (2009) has focused on the service quality gaps existing with the offerings of the leaders of the public and private sector banks of India viz. SBI and HDFC Bank. An attempt has also been made to identify the weak links of select banks and enable the banks to understand the areas of their strengths and weaknesses and work upon to infuse efficiency and effectiveness. Based on the study conducted, it is revealed that both the said banks which are the largest in their ownership category have not been able to make their customers very happy.

Selvan V et al (2010) have examined customers' awareness and satisfaction about e - banking at ICICI Bank. It is observed from the results that awareness level of college level education group respondents is high while the same is the case for the respondents having income of above Rs 10,000 and in the case of satisfaction level of respondents; the difference is significant between small and large size families.

Venkadasala Moorthy A (2011) has made an attempt to ascertain, what an ideal customer service is while ensuring that the customer is aware of the risk in the respective products. It is further highlighted that the customer satisfaction is a measure of how product, service, support and engagement are able to meet the customer expectation. The Researcher has suggested that the bank should make the customer aware of the terms and conditions, should have proper redressal mechanism while aggressively promoting credit/debit cards/other electronic channels, the customers should have proper awareness and knowledge of these products/services. It has been concluded stating that fair treatment to all customers should be considered as an important factor in customer service.

Aayushi Gupta et al (2012) have investigated on the current levels of clients' satisfaction and also tried to explore the factors that led to client satisfaction in Indian banks. Data from 400 respondents were collected from various branches of the prominent banks of India and the service quality, ambience and hygienic and involvement factors showed a positive relationship with relative clients' satisfaction.

Uppal R K (2012) has made an attempt to study and highlight the customer perceptions regarding e - banking services through a survey conducted in Oct 2008 of 1200 respondents, among 3 Bank groups viz. Public sector, private sector and foreign banks. The major findings of these study is that customers of all bank groups are interested in e-banking services, but at the same time they are facing many problems regarding e-banking services like inadequate knowledge , poor network, lack of infrastructure, unsuitable location, misuse of ATM cards and difficulty in opening an account etc.

Vidya M et al (2012) have explored the crucial factors responsible to meet the threat of competition and retain customer base of the Indian scheduled commercial banks by assessing the extent of utilization of banks' services by their customers while ascertaining the customer satisfaction through structural equation model (SCM).

The study revealed that there are vast opportunities as well as challenges for Value Added Services provided by banks in India and that due to technological innovations and significant change in demographic profile of customers , there is huge market potential lying ahead. It is further revealed that the awareness level of Value Added Services is restricted to only a certain section of the society.

7. Profile of State Bank of India

State Bank of India (SBI) is that country's largest commercial bank. The government-controlled bank--the Indian government maintains a stake of nearly 60 percent in SBI through the central Reserve Bank of India--also operates the world's largest branch network, with more than 17000 branch offices throughout India, staffed by nearly 221,000 employees. SBI is also present worldwide, with seven international subsidiaries in the United States, Canada, Nepal, Bhutan, Nigeria, Mauritius, and the United Kingdom, and more than 82 branch offices in 32 countries. Long an arm of the Indian government's infrastructure, agricultural, and industrial development policies, SBI has been forced to revamp its operations since competition was introduced into the country's commercial banking system. As part of that effort, SBI has been rolling out its own network of automated teller machines, as well as developing anytime-anywhere banking services through Internet and other technologies. SBI also has taken advantage of the deregulation of the Indian banking sector to enter the, assets management, and securities brokering sectors. In addition, SBI has been working on reigning in its branch network, reducing its payroll, and strengthening its loan portfolio.

The establishment of the British colonial government in India brought with it calls for the formation of a Western-style banking system, if only to serve the needs and interests of the British imperial government and of the European trading houses doing business there. The creation of a national banking system began at the beginning of the 19th century.

The first component of what was later to become the State Bank of India was created in 1806, in Calcutta. Called the Bank of Calcutta, it was also the country's first joint stock company. Originally established to serve the city's interests, the bank was granted a charter to serve all of Bengal in 1809, becoming the Bank of Bengal. The introduction of Western-style banking instituted deposit savings accounts and, in some cases, investment services. The Bank of Bengal also received the right to issue its own notes, which became legal currency within the Bengali region. This right enabled the bank to establish a solid financial foundation, building an interest-free capital base.

By the beginning of the 20th century, India's banking industry boasted a host of new arrivals, and particularly foreign banks authorized to exchange currency. The growth of the banking sector, and the development of indigenous banks, in turn created a need for a larger "bankers' bank." At the same time, the Indian government had outgrown its colonial background and now required a more centralized banking institution. These factors led to the decision to merge the three presidency banks into a new, single and centralized banking institution, the Imperial Bank of India.

In the early 1960s, the State Bank's network already contained nearly 500 branches and sub-offices, as well as the three original head offices inherited from the presidency bank era. Yet the State Bank now began an era of expansion, acting as a motor for India's industrial and agricultural development that was to transform it into one of the world's largest financial networks. Indeed, by the early 1990s, the State Bank counted nearly 15,000 branches and offices throughout India, giving it the world's single largest branch network.

By the beginning of 2004, SBI appeared to be well on its way to meeting the challenges offered by the deregulated Indian banking sector. In a twist, the bank had become an aggressor into new territories, launching its own line of banc assurance products, and also initiating securities brokering services. In the meantime, SBI continued its technology rollout, boosting the number of networked branches to more than 4,000 at the end of 2003. SBI promised to remain a central figure in the Indian banking sector as it entered its third century.

State Bank of India (SBI) has appointed Shri. S K Bhattacharya as Managing Director on the Board of the Bank with effect from October 08, 2007 to the October 31, 2010, as per the Notification dated October 08, 2007, by the Government of India. The State Bank of India (SBI) has become the first foreign bank to set up a branch in the Israel's diamond exchange. Besides diamonds, they also see huge potential in telecommunications, hi-tech, chemicals, textiles, agriculture and water management, food processing, pharma and health care.

State Bank of India has rolled out a micro insurance scheme 'Grameen Shakti', for its Self Help Group (SHG) members. The product was launched on Nov 26, 2008 at the Tamil Nadu Agricultural University. The bank is hopeful to cover at least five lakh SHG members by December 31. State Bank of India (SBI) has signed a Joint Venture Agreement with Insurance Australia Group to form a Joint Venture Company which will be engaged in General Insurance business in India.

State Bank of India, with a debit card base of over 70 million, comprising SBI Cash Plus, SBI Gold Debit Card and SBI Yuva Card, has added chip and PIN-based Platinum Debit Card to its bouquet on March 26, 2011. Witnessed a joint venture between the nation's largest lender, State Bank of India and the telecom lead, Bharti Airtel with an aim to provide the banking services amongst the unbanked population of the country India's largest public sector lender, State Bank of India (SBI) has entered into an agreement with StarAgri Warehousing Ltd (StarAgri), India's leading agri-services & solutions provider, for Warehousing Receipt Financing and Collateral Management Services in 2012. SBI launched virtual debit cards to check online fraud and promote ecommerce.

SBI, ICICI Bank leading m-banking revolution in India with the advent of smart phones and 3G services, the Mobile Banking (m-Banking) services have been fast catching up with Indian customers for conducting balance inquiries, account transactions, utility payments, and other banking activities using a mobile handset.

State Bank of India is actively involved since 1973 in non-profit activity called Community Services Banking. State Bank of India Services is most varied and innovative amongst all its contemporaries. State Bank of India Services includes a host of products and services to suit all types of consumers.

8. Research Findings

This chapter presents the results of the research findings, outlining the various forms of analysis utilized to test the research objectives. A profile of the overall sample is presented. The analysis examines the demographic data such as gender, age etc.

The findings provide fascinating insights into the customer's changing imperatives, perceptions and priorities within the banking space. Overall, the research yields three key findings, each of which brings significant implications for the future strategies of banks. These key findings are:

• Traditional channels continue to drive usage

• Alternate channels are yet to gain customer acceptance

• Customer satisfaction is a function of expectation

This quantitative research is based on a 10-minute interview conducted face-to-face with 800 banking customers. The sample was spread across gender, age and location in Chittoor district, covering retail customers of State Bank of India. Respondents were active banking customers, implying those who had a bank account for at least three years with the bank. Core sections were answered by all respondents, however not all respondents answered the questions to every channel they used. Further, respondents who used several channels may not have answered the questions to all channels

Traditional Channels Continue to Drive Usage

The traditional channels continue to engage customers, there are unique demands and expectations for the alternate channels such as mobile and internet. Contrary to common perception, alternate channel banking is not necessarily impersonal. The research indicates market segmentation of customer needs about who and/ or when to transact at each delivery channel. The preference for alternate channels is influenced by the type of banking activity.

The differences among customer segments provide unique insights for State Bank of India particularly in light of changing demographics. Early adopters of mobile banking for instance, are predominantly young, male, and more affluent even in mature markets of United States and Canada. However these factors gain higher prominence for India which is seeing its demographics shift increasingly toward the young and working population. Since majority of the working population in the 27–45 age group has a high disposable income and is banked and tech savvy customers, bank typically consider this age group their target audience. The 27–45 age groups are expected to have 450 million people in India by 2030, potentially creating a huge population for the delivery of banking services through alternate channels.

Mobile banking will be the next revolution in the way financial services are marketed, bought and delivered in the coming years by this young population. Mobile banking will also be a critical driver of financial inclusion as it is nearly impossible for State Bank of India to build a brick-and- mortar infrastructure for retail banking in rural India. Despite

the large number of branches across India, their coverage of population is abysmally low compared to mature countries.

Traditional Channels Drive Usage

Customers' preference for traditional banking channels i.e. Branch and ATM comes across prominently in our study. These two channels continue to dominate customer preference. Over 78% respondents mentioned the Branch and ATM as the preferred channel for Transacting Business

ATMs continue to dominate since it offers the most efficient and easy accessible means for cash withdrawals for a large segment of retail customers. Preference for the Branch is stronger among the customers. A high percentage of retail account holders have three types of banking relationships with their bank – savings account, fixed deposit, and debit card. Their basic needs with regards to the primary products are well met through traditional channels. The accessibility of these channels is the key factor for account holders in short-listing a bank. The preferred channels to transact banking are:

• Respondents have a greater number of users for non-branch channels such as ATM

• Respondents from the older age group value problem resolutions more than the younger generation, the accessibility are important to the younger generation

• Women have a greater preference for the Branch channel

• The use of Internet and Phone Banking increases in all the segment customers of State Bank of India

Preference of Usage of Channels

Customers' preference for usage of channels i.e. Accessibility of channel-Anywhere, Quality of service through channel and Speed of service through channel comes across prominently in our study. Nearly above 60 percent of respondents were mentioned above listed usage of channels as the preferred usage of channels. These continue to dominate customer preference.

Preferred Channel to Transact Banking by Type of Activity

The preferred channel to transact banking differs by type of activity:

• ATMs are most often used for checking balances and withdrawing cash

• Internet banking is most often used for account statements, money transfers and payment of bills

• Call Centre/Phone banking is mostly used for administrative purposes such as requesting debit/credit cards or request for cheque books, stop payments and complaints

• Mobile banking is most often used for checking balances and account statements

Alternate Channels are Yet to Gain Customer Acceptance

Alternate channels usage though consistently on the rise, is still struggling with customer acceptance. Low awareness levels are driving the 'lack of need' and hence poor usage. The greatest barrier for respondents in using multiple channels is that they do not feel the need to use a different channel as well as the low awareness for internet, phone and mobile banking.

From banks' point of view, the cost per transaction at a Branch is almost three times the cost at an ATM. Electronic channels namely, internet and mobile banking are even more cost effective. There is tremendous potential for banks to cut down the costs by encouraging customers to use alternate channels – though customer acceptance alone can drive this shift. Despite the high penetration of mobile phones in India, mobile banking is not widely adopted owing to the accessibility of traditional channels but also owing to

limited efforts by State Bank of India to onboard customers. Understanding the customer experience of alternate delivery channels will enable banks to transcend the barriers in the mind of customers by suitably designing the channel offering and marketing message to foster channel adoption.Interestingly, a promising finding of our research is that customers are open to the idea of trying out new channels.

The positive trend is that nearly 45% of respondents indicate they are planning to use at least one new channel in the next six months to interact with the bank. To capture this opportunity of new users for alternate channels, banks will first need to ensure an integrated and consistent service experience across the multiple channels

Barriers in Usage or Intention to Use the Particular Channel

Although respondents generally do not feel the need to use non-branch channels, this barrier is lower in the younger age group.

• The respondents in the age group of 46 – 60 years did not feel the need to use any non-branch/ATM channel

• Between 28-30 percent of the respondents across age groups demonstrated low awareness of the channels or service

• Operational knowledge, convenience & security concerns accounted for less than 35 percent of the overall responses

Channels Intend to Start Using in the Next 6 Months

Accessibility of the channel, quality of service and speed account is the top reasons in selecting a banking channel. Though these features are well available in alternate delivery channels for most common transactions, because of low customer awareness, many customers fail to select new alternate banking channels. Recently, customer's exposure in new banking channels increased a lot, as a result of that, now, customers constantly evaluate ways to transact more efficiently, and possibly consider using at least one new channel, even if on an experimental mode.

• Customers indicated that they will be trying out new channels even they are primarily satisfied with their current channels too

• The channels that respondents are most likely using to start in next six months are Internet and mobile banking which covers 45 and 36 percent of the overall responses.

Customer Satisfaction is A Function of Expectation

Customers not only prefer to use traditional banking channels but they are also more satisfied with traditional channels they use. Preference for traditional channels is driven by customer perceptions of accessibility and quality of service. ATM as a channel has the highest satisfaction among the user base, even higher than the Branch. Almost **50%** of the respondents prefer transacting business with the ATM. This finding however should be interpreted in light of the type of activity for which the channel is used, as well as the customers' expectations from the State Bank of India.

The complexity of customer expectation is magnified by differences in age, education level and location. Those banks catering to a more affluent customer segment generally had lower satisfaction ratings in our study. Younger, educated customers and those based in semi-urban areas have higher expectations from the bank in terms of accessibility of channels, quality of service, speed of problem resolution, as well as lower service charges and competitive rates of interest. Respondents in semi-urban areas are generally more dissatisfied with the cost of service charges. Our follow-up analysis to this response reveals that service charges levied by State Bank of India typically tend to be lower than those levied by other banks. The customer is either unaware of the banks' published schedule of charges or oblivious to the value-add in accompanying services. Better

communication and transparency can go a long way in managing customers' expectation on service charges, and consequently their satisfaction ratings. The broader challenge however is that customer expectations for service have been continuously increasing and banks seem to be falling short, despite the improved perception of service quality. Emerging collaboration technologies have the potential to dramatically improve the speed and quality of service interactions.

However, these need to be better aligned to customer behaviors' – differences in customer segments geographies, and demographics have to be considered while defining the target experience across channels. Banks need to design a model that is closely aligned to the distinct needs and preferences of their most valuable and profitable customers.

Customer Satisfaction is...

ATM as a channel has the highest satisfaction among the user base. However one needs to read this in light of the activities for which each channel is normally used.

Our study clearly indicates that the satisfaction with ATM increases when compare to other channels. For instance, the satisfaction levels with ATM were 60% vs. 51% for Branch in highly satisfied. All the segment customers of State Bank of India prefer Phone Banking mostly for administrative purposes such as requesting debit/credit cards, stop payments and complaints. Even though the younger & educated segment prefer Internet & Mobile Banking, their satisfaction was not high. There is a gap between user expectation vis-à-vis service deliveries through these channels.

A Function of Customer Satisfaction

The satisfaction of customers from their primary bank:

• Security of the channel to the Respondents is satisfied (more than 48 percent of the overall responses)

• Respondent's satisfaction towards Quality of service through channel is good (more than 48 percent of the overall responses)

• Respondent's except in Bank branch (44 percent), satisfaction towards speed of service through channel is good. In Bank branch the speed of service is to be improved.

• Speed of problem resolution is slightly more problem to ATM and Phone Banking.

A function of Customer Expectation

The expectation of customers from their primary bank differs by location and age profile:

• Respondents more demanding on the quality of service and expect the bank to be more effective in communicating products and services.

• Respondents are more particular about their bank's Effectiveness in communicating on its activities, product.

• Respondents are more particular about the bank's online banking platform.

• Speed of problem resolution is slightly more important.

• Respondents are more particular about the bank to give variety of products/services available.

Customer Experience in Driving the 'Bank of Choice'

Our findings clearly indicate that customer service delivered via multiple channels is driving the 'Bank of Choice'. Indians are most likely to consider good customer service as the main factor for choosing a bank. While customers have a variety of expectations for good service, they care most about how well informed and personable their customer service representative is, how fast and efficiently they receive service and how long it takes for their issues to be resolved.

Customer service is the key factor for continued relationship with the bank. Better customer service standard is also the key reason for a customer to switch to another bank. Bank need to focus on customer retention as gaining new customers is subject to fierce competition and pricing pressures, adding to the cost of acquisition. There is little difference between basic products and services being offered by banks today. In this highly commoditized market, customer experience will be the key source of differentiation. Customer experiences in driving the 'Bank of Choice' are:

• 53 percent of respondents satisfied with customer service.

• Only 30 percent of respondents accepted for providing good facilities/schemes and better ATM coverage.

• Only one percent of respondents vote for providing information and resolves problems.

• 53 percent of respondents accepted the bank as trust worthy.

9. Recommendations for the Study

This chapter will attempt to summarize the contribution to knowledge that this study has made to the field of knowledge and how that knowledge has stimulated subject matter that could promote further research in the field. It will present the pertinent theoretical implications of the major findings as well as setting out the implication of potential managerial applications.

The study suggested that if State Bank of India want to increase their service quality level as compared to the other banks, it should enhance level of services in the dimensions like 'online purchase of goods and services', reduction in e-payment cost', 'up to date information', 'sophisticated information to well educated customers', 'To provide various effective modes for promotional schemes', 'interaction with the customers', 'more accuracy in billing', 'financial security' and 'privacy in transactions'. To improve in these areas the State Bank of India should invest large amount in the training the employees to provide up to date and sophisticated information to customers. All modern facilities should be provided to customers and bank should also invest large amount on the web-page designing to provide up to date information. The bank should provide effective internet and ATM password to the customers in such way that the financial security of the transaction can be retained and their loyalty and trust can be increased.

Innovative products reached a level of 50 per cent by volume and 95 per cent by value of aggregate payment system transaction in country by end of March 2012 and the period under study. But the e-payment system requires some changes in order to increase the effectiveness in the functioning of e-payment. In retail payment system although there are multiple systems and options like ECS debit, ECS Credit, EFT & NEFT. But their contribution to overall payment system has not been quite high. So initiative should be taken to increase the share of all the modes of payment system.

MICR was introduced in India in era of 1950's but it took 50 years to adopt it properly. If other system of e-payment will also grow at such a low pace than the growth of e-payment system will be very less. So to improve the usage of e-payment system, there should be strong legal framework and convenience factors that can expand the business of e-payment. The bank should expand the core banking solutions, clearing services, facility of debit and credit cards to rural branches of the banks also. Today the vision for an electronic payment system in India should be that wherever the physical cheques can get processed, electronic fund transfer will also reach. If such thinking will be developed by the bank for e-payment expansion than it could be substantially increased.

EFT/NEFT should also be used for bill payments like mobile bills, telephone bills, electricity bills as millions of customer required such kind of services. Further it should also cover the LIC policies premium and payment. MICR code with branch, bank, location

is familiar to millions of account holders in the country but shifting to IFSC code (Internally used within the system) from MICR code is quite difficult for the customers to understand so still IFSC code gain the popularity both code must coexist.

As the use of Internet is increasing day by day so the internet banking is also rapidly followed by the customers. To make e-payment services more adaptable among the customers bank should provide more services through internet banking for query as well as for transaction purpose. To increase the popularity of e-payment among customers. RBI should stops physical cheque clearance beyond a certain amount say INR 5 lakhs or INR 10 lakhs. So transactions that are conveniently go through electronic channels should be priced higher for paper based clearing

The major reason of slow pace adoption of electronic mode of fund transfer particularly in the retail segment is lack of education particularly on the part of bank staff. There are several branches in the state which are not even aware of national electronic fund transfer system. So banks need to increase the degree of awareness at the level of branch staff. The other major problem is the lack of customer education and awareness about the features and benefits of e-payment. So there should be arrangement of systematic educational campaign for the clients to educate them.

Although the share of electronic payment products is improving in the overall retail segment, the share of State Bank of India in this area is very low. It is very necessary to make these products available across all bank branches. E-Payment system is not only speedier but also more environment friendly as it reduced the reliance on paper required for affecting payments. Bank should do whatever they can to facilitate and encourage the current electronic payment instruments and systems that can correlate to the movement of financial services and funds from one sector to another. Governments and banking regulators should thoroughly explore the new risks and security challenges that electronic payment instruments and systems create and try to reduce these risks at greater extent.

ATM's are the fastest mode of payment and employees feel this as the basic requirement behind adoption of innovative banking from customer point of view. So State Bank of India should increase the number of onsite and offsite ATMs.

With regard to further improvement in banking employees perceive that there should be proper training programmes organized for the employees. Rules should be simplified and up to date infrastructure should be provided. Employees also want that there should be greater trust in staff. If any software is introduced, it should be properly discussed so that complexity is reduced. In order to facilitate the use of banking services bank managers who are responsible for framing the policies, should make systematic efforts in exploiting e-banking opportunities with continuous education and with proper flow of information management.

The bank should emphasize more on popularizing internet usage by customers which results into improvement in customer satisfaction and also cost reduction.

Conclusion

The present study is an attempt to present the status of Emerging Trends in Financial Services of Banking Sector in India with respect to State Bank of India and its implications for Indian banking industry. Emerging Trends in banking financial Services has helped the banks to cope with new economic and financial policies of the banks. Technology in banking is on rise and it becomes a powerful tool for improving customer satisfaction and increasing cross-selling opportunities. At the same time technology in banking has its pitfalls too. There are a number of challenges which banks must keep in mind. Keeping track of ever changing banking industry and the latest update in technology, banks need to equip themselves for the competition. Money laundering is a growing menace and it not

only poses serious threat to the stability and integrity of the financial system but also to the sovereignty and safety of nations worldwide.

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Questionnaire

Dear Respondent,

I am the Research scholar of Bharathiar University, undergoing the Research work entitled "Emerging Trends in Banking Financial Services of Banking Sector in India". So by filling the questionnaire please help me for completing the research work.

1. Rank the selection criteria for opening account with bank?

Brand Image	Services	Location	Charges

2. Which channel do you prefer more for usage of transacting business? [

Bank Branch	ATM	Internet	Call Centre/ Phone Banking	Mobile Banking

3. Reasons for Preference of usage of channels. Please put tick (√) mark for Preference of usage of channels

Factors		Factors	
Accessibility of channel-Anywhere		Security of the channel	
Quality of service through channel		Working hours for the channel	
Speed of service through channel		Cost of availing the service through channel	
Human contact/ Interaction provided by channel		Problem resolution capabilities of the channel	

4. For each activity which channels would you use? Please put tick (√) mark for channels you use

[Factors	Bank Branch	ATM	Internet	Phone Banking	Mobile Banking
Issue demand draft					
Request for Debit/ Credit card					
Application for loans					
Transfer Money					
Request for cheque book					
Payment of bills					
Account statements					
Checking your balance					
Withdrawing cash					

5. Please can you tell us what comes across as barriers to you in your usage or your intention to use the particular channel? Please put tick (√) mark for barriers

Factors	Bank Branch	ATM	Internet	Phone Banking	Mobile Banking
Accessibility is a problem/No facility					
Lower awareness about service/channel					
Do not feel the need to use/the channel satisfies my needs					
Hidden costs					
Do not know about the security of the channel					
Lack of operational knowledge					
Additional other barriers not applicable to the above					

6. Please think of the channels not used by you currently. Which of the channels you intend to start using in the next 6 months?

Bank Branch	ATM	Internet	Call Centre/ Phone Banking	Mobile Banking

7. We would like you to understand how satisfied you are with the channels you have used?

Highly Satisfied	Satisfied	Neutral	Dissatisfied	Highly Dissatisfied

8. How satisfied you are with your primary bank for the following factors? Please put tick (√) mark for satisfied and (×) mark for not satisfied

Factors	Bank Branch	ATM	Internet	Phone Banking	Mobile Banking
Security of the channel					
Quality of service through channel					
Speed of service through channel					
Problem resolution capabilities of the channel					
Working hours for the channel					
Accessibility of channel					
Human contact/ Interaction provided by channel					
Cost of availing the service through channel					

9. Thinking about your relationship and interaction with your bank, what are the key expectations you have from your bank?

Factors		Factors	
Speed of problem resolution		Customer service should be more helpful	
Better ATM coverage		Knowledgeable and responsive phone banking support	
Better branch coverage		Better online banking platform	
Lower user charges		Give variety of products/services available	
The bank should be more secure and reliable		Should be technologically advanced	
Shorter queues at branch		Should offer me good investment opportunities	
Transparency in levy of charges		Effectiveness in communicating on its activities, product	
Longer branch banking hours		Should offer accessibility through multiple channels	
Quality of Service (No errors made)		Should improve its Brand Equity	

10. Please tell us why you mentioned the following bank as 'the only bank I would consider' to transact business with?

Factors		Factors	
Satisfied/received good customer service		Good reputation	
Prompt/quick service		Has a global presence	
Is trustworthy/secure		Lower/fair user charges	
Polite/good/proactive staff		Convenient working hours/services	
Provides good facilities/schemes		Communicates well/gives information	
Better ATM coverage		Resolves problems/query resolution	
Serves all my needs/customer centric		Latest technology	

Please give me some personal information that will help in evaluating the data from this study. (Please check one.)

1. Gender   :   Ma[   ]   Fem[   ]

2. Age group (Years)

18 - 26	27 - 35	36 - 45	46 - 59	60 and Above

3. Educational qualifications

Below Intermediate	Intermediate	Graduate	P G

4. Income group (annually)

< Rs.2Lakhs	Rs. 2Lakhs - 5Lakhs	Rs. 5Lakhs -10Lakhs	> Rs. 10Lakhs